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Report Highlights:

Philippine production of forest products continues to decline resulting in a corresponding decline in wood supply. Combined with the expected improvement of the economy through 2001, imports of logs, lumber, veneer and plywood are all expected to continue increasing. Of all the major wood-consuming market segments, the export-oriented industries such as the furniture and interior sectors will continue to provide the best prospect for increased and sustained U.S. wood exports. Utility poles, mainly for electricity distribution likewise offer some potential.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Local wood supply will continue to decline in 2000 and beyond due to the shrinking forest cover of the Philippines. Because of this, the decline in timber harvest will result in the decrease in active sawmills but will also result in increased imports of logs. Wood processing plants will also depend more on imported lumber and veneer for their processing requirements. While imports in 1999 increased from the previous year's level, they were still below their 1997 level mainly due to lingering effects of the currency crisis. Industrial output expanded marginally (0.5 percent) as a result of the contraction of the construction sector (2.8 percent). Public investments increased (14.2 percent) as a result of the GOP's pump-priming strategy but investments from the more dominant private sector declined (14.5 percent).

The number of buildings constructed as well as those that underwent alterations/additions in 1999 slightly dropped although the total floor area and value of construction remained fairly flat compared to its year-ago level. There is no data available on local furniture production but furniture trade increased with imports and exports both growing from their year-ago levels.

Exports of wooden furniture grew slightly expanding by 3 percent in 1999 to US\$133 million to remain for the second consecutive year as the dominant furniture-type exported by the country. The continued strength of the U.S. economy speaks well for the immediate future of the industry being the largest market of Philippine wooden furniture.

The Philippine economy is expected to accelerate its growth through 2001. Post expects a significant increase in forest and wood products imports starting this year onwards enhanced by low import duties. Lower tariffs, however, as provided for under the Common Effective Preferential Tariffs (CEPT) scheme of the ASEA Free Trade Area (AFTA) still pose the most significant barrier to increasing U.S. forest products sales to the Philippines.

Production

The 1998 edition of forestry statistics (most current data) from the Department of Environment and Natural Resources - Forest Management Bureau (DENR-FMB) still uses 1997 data for land classification, land use and volume of timber pending verification of reports from the field. Philippine forest area is estimated to be at 5.25 million hectares in 1999 or slightly below 18 percent of the 30 million hectares total land area of the Philippines. Total forest area is expected to continue declining into 2000 by which time Philippine forest areas will comprise an estimated 5.20 million hectares.

Of the total Philippine forest area in 1999, dipterocarp forests are estimated to cover around 3.3 million hectares of which 805 thousand hectares are old growth or virgin forests. Virgin forests are expected to remain unchanged from the previous year due to a logging ban imposed on all old-growth forest areas since 1992. Residual forests are estimated to be around 2.5 million hectares in 1999, to go down to 2.4 million hectares in 2000.

In 1998, under the Industrial Forest Plantation Management Agreement (IFMA) and the Industrial Tree Plantation Lease Agreement (ITPLA) schemes, there were around 199 agreements covering 527,000 hectares

according to DENR-FMB data. IFMA and ITPLA agreements are expected to further decrease in 1999 onwards. The DENR-FMB has expressed its intention of not issuing any more IFMA and ITPLA due to mounting pressure from local environmentalists.

Around 99 percent of all Philippine forests are government owned and all private forests are located in titled lands. The country has a network of around 70 parks, reserves and protected areas. The estimated volume of standing timber in commercial forests is provided below:

VOLUME OF TIMBER IN COMMERCIAL FOREST (in 1,000 CUM) - 1999					
Forest Type	Hardwoods	CFW*	Softwoods	Others	TOTAL
Dipterocarp					
Old-Growth	113,805	60,870	2,775	21,342	198,792
Residual	180,000	117,000	5,000	53,000	355,000
Pine	93	27	23,000	44	23,164

*CFW - Construction and furniture wood

Source: Post Estimates

A total of 42,000 hectares were reforested in 1998 according to data from the DENR-FMB. About 33,000 hectares or 78 percent of the total area reforested were planted by the government sector while 9,000 hectares were planted by the private sector of which 90 percent were planted by logging concessionaires. Area reforested in 1999 is expected to increase slightly from its previous year's level and will likely accelerate the following years due to increasing environmental consciousness as a result of the negative effects of the vanishing forest area of the country.

AREA REFORESTED (in Has.)			
	GOP	Private	
Year	Agencies	Sector	TOTAL
1998*	33,219	9,149	42,368
1999	40,000	10,000	50,000
2000	45,000	15,000	60,000
2001	55,000	25,000	80,000

Source: DENR -FMB

The number of logging concessionaires or Timber Licence Agreement (TLA) holders in 1998 numbered 20 covering an area of 0.9 million hectares with an annual allowable cut (AAC) of 0.5 million cubic meters. For 1999, the number of TLA holders as well as their coverage are likely to further decline resulting in the expected decline in the AAC.

PHILIPPINE ROUNDWOOD SITUATION		
1998-2001, (1,000 Has., 1,000 CUM)		
	Forest	Roundwood
Year	Area	Harvest
1998	5,350	690
1999*	5,250	575
2000*	5,200	530
2001*	5,175	520

* Post estimates

Source: DENR-FMB and Post estimates

Figures in the above table are Post estimates (except for 1998 which are DENR-FMB final estimates) and are based on the expected decline in forest area through year 2001. Because of this, the decline in roundwood harvest will likely decline more gradually through 2001 due to possible legislation that will limit logging operations. Roundwood production basically consist of tropical hardwoods and softwoods and there are no commercial temperate hardwood plantations in the country. Sawlog/veneer log production in 1998 surprisingly reached 546,000 CUM due to harvests of plantation trees planted in Mindanao island several years ago. Post estimates sawlog/veneer log production in 1999 to decline to around 300,000 CUM due to increased logging activity the year before.

In 1998, there were only 55 active sawmills left, down from 85 the previous year, with a daily rated capacity (DRC) of 2,500 CUM and an annual log requirement of 903,000 CUM. The number of sawmills are expected to continue to decline through 2001 due to the expected decline in roundwood harvests. Production of processed wood products likewise continued to decline in 1998. Veneer plants numbered 19 in 1998 and are expected to decline in the coming years in view of increasing veneer imports and the decline in local lumber supply. Plywood plants which numbered 33 in 1998 are likewise expected to decline through 2001. During this period existing plywood plants are also likely to rely more on veneer imports. High power costs (second only to Japan) and a generally strong labor union movement constitute major deterrents in increased investments in wood-based panel plants.

The continued decline in Philippine forest cover and standing timber has made more frequent the occurrence of flash floods during rains resulting in considerable damage to property and life. As a result, 33 congressmen last year signed a bill seeking a total ban on commercial logging. House Bill 5162 (HB5162), authored by Rep. Heherson Alvarez, seeks a 30 year moratorium on commercial logging to allow rejuvenation of the country's forests. A similar bill (SB1626) imposing a logging ban for 25 years in forest reserves, timberland and watersheds, was also filed in the Upper House by senator Aquilino Pimentel.

Experts from the University of the Philippines at Los Banos (UPLB), however, believe that poverty in the lowlands, and not commercial logging, is the root cause of the dwindling forest cover in the country. Slash-and-burn reportedly account for around 65 percent of the country's deforestation while other forms of agricultural expansion account for 30 percent. Illegal logging accounts for only around 5 percent. The conversion of forest

land to upland agriculture is the most significant activity that leads to reduction of forest areas, according to them.

The DENR also believes that the imposition of a total log ban will not guarantee conservation of Philippine forests. An earlier assessment made by the RP-German National Forest Inventory Program reportedly showed that logging has been banned in 46 provinces and allowed in 28. The study showed that forest denudation was faster in the provinces where logging was banned. Cerilles said the selective logging system, the logging system currently being employed by the remaining logging concessions as well as those under the Community Based Forest Management Agreement (CBFMA), is considered to be more effective.

In response, last May of this year, the Estrada Administration affirmed the GOP's policy on sustainable forest management as the most viable approach for managing the country's forest resources. President Estrada reportedly has approved an action agenda to make operational a new set of policies arrived at after the DENR, together with the Asian Development Bank (ADB), the New Zealand and Finland governments, conducted a national forum to review provisions of the Philippine Master Plan for Forest Development. The action agenda calls for the development of a consistent and transparent policy in the areas of investments, land tenure, incentives and capability-building towards a stable environment for forest development.

Trade

After contracting 37 percent in 1998, imports of forest products recovered and increased in 1999. Imports of logs, lumber, veneer and plywood grew by 35 percent from 800,000 CUM in 1998 to 1,100,000 CUM in 1999. Imports of the same in 1999 were valued at US\$176 million, up 40 percent from the US\$126 million import level realized the year before. The volume of exports also increased by 8 percent from 80,000 CUM in 1998 to 85,000 CUM in 1999. In terms of value, however, exports reached US\$16 million in 1999 for a 20 percent decline from the US\$19 million export level the previous year.

An import summary for logs, lumber, veneer and plywood are provided below while more detailed trade matrices are provided in the Statistical Section.

1997-1999 PHILIPPINE IMPORTS OF WOOD PRODUCTS					
(in Cubic Meters)				% Change	
	1997	1998	1999	97/98	98/99
Total Logs	745,138	429,914	544,600	-42.30	26.68
Softwood	103,391	10,856	25,911	-89.50	138.68
Hardwood	641,747	419,058	518,689	-34.70	23.77
Tropical Hardwood	635,167	413,133	514,311	-34.96	24.49
Temperate Hardwood	6,580	5,925	4,378	-9.95	-26.11
Total Lumber	411,254	296,147	380,978	-27.99	28.64
Softwood	60,161	28,420	45,508	-52.76	60.13
Hardwood	351,093	267,727	335,470	-23.74	25.30
Tropical Hardwood	343,816	251,117	322,416	-26.96	28.39

Temperate Hardwood	7,277	16,610	13,054	128.25	-21.41
Total Veneer	99,423	69,162	146,414	-30.44	111.70
Softwood	20,583	5,684	7,534	-72.38	32.55
Hardwood	78,840	63,478	138,880	-19.49	118.78
Tropical Hardwood	78,516	63,016	138,322	-19.74	119.50
Temperate Hardwood	324	462	558	42.59	20.78
Total Plywood	12,416	4,673	4,879	-62.36	4.41
Softwood	0	0	0	n/a	n/a
Hardwood	12,416	4,673	4,879	-62.36	4.41
Tropical Hardwood	10,439	3,018	4,522	-71.09	49.83
Temperate Hardwood	1,977	1,655	357	-16.29	-78.43

Source of Data: National Statistics Office

Log imports increased by 27 percent from 430,000 CUM in 1998 to 545,000 CUM in 1999. Imports of softwood logs during the latter year more than doubled (139 percent) while hardwood log imports increased by 24 percent from their 1998 level. Tropical hardwood logs accounted for around 99 percent of all hardwood logs imported and 94 percent of all imported logs in 1999. The Solomon Islands, Papua New Guinea and New Zealand were the three most dominant sources of tropical hardwood logs ranked in that order while New Zealand continued to be the top supplier of softwood logs.

Sawnwood or lumber imports increased by 29 percent from 296,000 CUM in 1998 to 381,000 CUM in 1999. Of all lumber imported in 1999, 65 percent originated from Malaysia which dominated lumber imports. The U.S. had the second largest share accounting for 12 percent of all lumber imports. Softwood lumber imports increased by 60 percent while hardwood lumber imports rose by 25 percent from last year's level. Temperate hardwood lumber imports in 1999 mostly came from New Zealand and Canada which had a combined share of 82 percent of all temperate hardwood lumber imports.

Veneer imports in 1999 more than doubled (112 percent) last year's level of 69,000 CUM to reach 146,000 CUM led by tropical hardwood veneer imports which increased 120 percent followed by softwood veneer imports which grew 33 percent. Imports of temperate hardwood veneer in 1999 increased 21 percent to reach 558 CUM from last years level of 462 CUM. Temperate hardwood veneer imports, however, remains insignificant (0.4 percent) relative to total veneer imports.

Plywood imports in 1999 increased only slightly (4 percent) from the previous year's level due to the dramatic increase in veneer imports. Plywood imports during the year were assumed to be all hardwoods in cases that trade data did not specify the face veneer. Plywood imports during the year were again dominated by Malaysia which accounted for 33 percent of all plywood imported.

Imports of forest products are predicted to continue increasing while exports expected to decline in the coming years in view of the vanishing Philippine forests and the expected improvement of the Philippine economy. Increased imports likewise are enhanced by generally low tariffs for forest products in 2000. Import duties

remain unchanged as reported in RP9030 and duties for 2001 have not yet been established. An Executive Order (EO) will be required to establish duties in 2001. Should no EO be issued, existing tariffs will apply. As reported in RP9030, the comparatively faster reduction in duties under the Common Effective Preferential Rate (CEPT) schedule under the ASEAN Free Trade Agreement (AFTA) significantly hamper increased U.S. wood sales to the Philippines.

Besides the corresponding tariff, a 10 percent VAT is collected on forest product imports. There are no known export taxes or exports subsidies for Philippine forest and wood products. Certain companies, however, may import forest products as a raw material duty and VAT free (see Export Sector).

Market Segment Analysis

The Philippine economy grew in 1999 with GNP expanding 3.6 percent from the feeble 0.1 percent growth registered the previous year. Real GDP likewise rebounded from the (0.5) percent contraction in 1998 to reach 3.2 percent in 1999. Viewed from the demand side, personal and government consumption expenditure as well as increased exports provided stimulus for economic growth. Output-wise, 1999 GDP grew at a faster pace due to the 6.6 percent rebound of the agricultural sector. Investments, however, declined by 2.1 percent resulting in low industrial activity, sluggish market for real estate, and a high unemployment rate. The economic growth had mixed effects on the various sectors of the wood using market.

The country's economic performance so far in 2000 shows that the country has shaken off the worst effects of the Asian economic crisis and continued growth is expected in the immediate future. For the year 2000, economic growth is projected to accelerate slightly from its previous growth rate mainly due to increased export levels compared to the previous year. Projections for selected economic indicators for the year 2000 are provided below. For 2001, the Asian Development Bank, in its latest projection estimate GDP to be around 4.3 percent in 2001.

1999 PROJECTIONS FOR SELECTED ECONOMIC INDICATORS					
			1998	1999	2000*
GDP Growth (Year-on-year, %)			-0.5	3.2	3.8 - 4.4
GNP Growth (Year-on-year, %)			0.1	3.6	4.3 - 4.9
Ave. Year-on-Year Inflation			9.7	6.6	5.0 - 6.0
Ave. Forex Rate (Peso/US\$)			40.89	39.09	41.00 - 42.00

*Embassy projections as of April 1999

Sources: National Economic and Development Authority and Bangko Sentral ng Pilipinas

A. Construction Sector

According to the Construction Industry Authority of the Philippines (CIAP), in 1999 real construction investments as measured by Gross Value (GV) in construction was P96.2 billion (\$240 billion) representing a 2.1 percent decline from the previous year's level. Government investments increased (14.2 percent) due to pump-priming activities of the government needed to stimulate growth. In contrast, private construction investments, which account for around 60 percent of market demand, contracted by 14.5 percent in 1999 due to

the slowdown in property development and socialized housing projects, and the slack in demand for commercial and industrial buildings. Output generated by the construction sector dropped by 2.8 percent from P52.5 billion (\$1.3 billion) in 1998 to only about P51.0 billion (\$1.3 billion) in 1999. The decline in construction activities was attributed to the gloomy investment climate, inadequate capacity of homeowners to pursue housing loans and the high cost of construction inputs (labor and materials).

According to data from the National Statistics Office (NSO), in 1999 there were 79,000 buildings newly constructed or underwent additions/alterations or a 5 percent decline from the units built or repaired the previous year. During the year, a total of 53,400 new residential units were built while 8,700 units were non-residential structures. In 1999, 16,700 buildings underwent additional construction. The buildings constructed and had additions/alterations in 1999 deviated only marginally from the total floor area as well as cost of construction and additions/alterations in 1998. Both years had an estimated total floor area of 11,500 thousand square meters made at a value of an estimated 70 billion pesos (\$1.74 billion).

BUILDING CONSTRUCTION: 1997 - 1999												
(Value in million Pesos, floor area in thousand sq.m.)												
CY	Residential			Non-Residential			Additions/Alterations			TOTAL		
	No.	Floor	Value	No.	Floor	Value	No.	Floor	Value	No.	Floor	Value
		Area			Area			Area			Area	
1997	85,541	7,045	33,403	11,137	9,678	80,028	18,889	942	10,025	115,567	17,665	123,456
1998	59,059	5,486	25,278	7,984	5,367	36,990	15,928	639	6,894	82,971	11,492	69,163
1999	53,454	5,814	26,880	8,728	5,122	35,864	16,687	575	6,845	78,869	11,510	69,589

Source of basic data: National Statistics Office

There is no data available regarding the breakdown of the residential units built according to the construction material used, i.e., wood frame, steel, etc., as well as the breakdown of residential units according to family size, i.e., single-family or multi-family. The acceptability of U.S. style timber frame construction and consumer preference for solid wood materials, however, continues to be low in the Philippines mainly due to price considerations relative to income. Income distribution is highly skewed in the Philippines with about two-thirds of the country's income going to the top 30 percent of Philippine families while the low 30 percent receive less than 8 percent.

Also in 1999, James Hardie Philippines Inc., a subsidiary of James Hardie Industries Unlimited appointed Datem Construction Inc. to be the Preferred Contract Installer of the newly-launched HardiWall Solid Wall System (HWSWS) in the Philippines. The HWSWS is being promoted as a benefit to the contractor and project manager will appreciate as it will hasten internal wall installation. The HWSWS is the latest addition to the HardiFlex brand (refer to RP9030). The HWSWS consists of uniform high density HardiWall cement facing sheets to steel framing members. A patented cement mortar mix reportedly is used to fill the sheeted cavity to provide a strong homogenous wall.

Comparative retail prices of selected construction materials in December 1999 and March 2000 are provided below. Prices of plywood in March 2000 were noticeably lower than their December 1999 levels. The decrease in prices were the result of improved supply as imports of veneer significantly increased in calendar year 1999.

RETAIL PRICES OF SELECTED CONSTRUCTION MATERIALS							
December 1999 vs. March 2000							
					1999	2000	Price
	Item				December	March	Change
							(%)
Rough Tanguile Lumber SD,52mmX52mmX3mm					23.00	23.00	0
S4S Tanguile Lumber SD,42mmX52mmX3m					23.00	23.00	0
Washed Sand or S1					350.00	400.00	14
Portland Cement					105.00	115.00	10
Plywood Ordinary,5mmX1.2mmX2.4m					250.00	235.00	(6)
Plywood Ordinary,10mmX1.2mX2.4m					500.00	480.00	(4)
Conc. Hollow Blocks(non-load)							
100mmX200mmX400mm					6.00	6.00	0

Source: Construction Industry Authority of the Philippines

From year 2000 to 2004, the construction sector is expected to make a rebound with housing being one of the center-piece programs of the Estrada Administration. The GOP likewise has expressed commitment to pursue infrastructure development in rural-based communities. This optimism, however, is dampened by the concern of investors over the GOP's low revenue generation, quality of public spending and policy reforms in the financial and power sectors. The positive outlook likewise is not expected to present significant prospects for increased U.S. forest and wood products use in the construction sector for reasons mentioned in previous reports.

B. Furniture and Interiors Sector

According to the Chamber of Furniture Industries of the Philippines (CFIP), there are about 150,000 furniture establishments (mostly small and medium scale) employing roughly 300,000 direct workers. Overseas investment in the Philippine furniture industry amount to about P352.4 million (\$8.8 million). Major investors include those coming from the U.S., Japan, Taiwan, Malaysia and the U.K. Information regarding Philippine furniture production, however, is not readily available. Furniture production, however, is likely to have expanded from last year's level due to the economic improvement and increased furniture exports.

Despite the likely increase in furniture production in 1999, furniture imports increased by 20 percent from US\$48 million in 1998 to reach US\$57 million in 1999. Imports of wooden furniture increased by 15 percent during the year after posting a decline in 1998. Imports in 1999, however, were still below the 1997 level. Wooden furniture accounted for 32 percent of all furniture imports.

1997-1999 PHILIPPINE IMPORTS OF FURNITURE			
FOB VALUE IN US\$ MILLION			

				% Change	
	1997	1998	1999	97/98	98/99
Rattan	0.03	0.00	0.04	-97.74	4971.47
Wood	19.80	15.57	17.93	-21.34	15.18
Metal	14.67	8.73	11.65	-40.50	33.47
Stone	0.02	0.03	0.17	34.37	424.13
Parts of Furniture	10.73	13.51	17.10	25.88	26.61
Buri Furniture	0.00	0.00	0.00	n/a	n/a
Furnishings	2.37	0.89	0.75	-62.21	-16.15
Bamboo	0.00	0.00	0.00	-79.30	-21.71
Plastics	0.73	0.69	0.63	-5.33	-9.04
Others	16.79	8.08	8.50	-51.88	5.23
TOTAL	65.15	47.51	56.79	-27.08	19.53

Source: National Statistics Office, Chamber of Furniture Industries of the Philippines and Bureau of Import Service, Department of Trade and Industry.

Philippine furniture continued to be an export winner in 1999. During the year, total furniture exports reached US\$353 million for a respectable 9 percent increase from the export level the previous year. Wooden furniture exports posted a modest 3 percent growth reaching US\$133 million from its year-ago level of US\$128 million. Wooden furniture continued to be the most dominant furniture export for the second straight year accounting for 38 percent of all furniture exports in 1999. Previous to 1998, rattan furniture was the most common furniture exported.

1997-1999 PHILIPPINE EXPORTS OF FURNITURE by TYPE					
FOB VALUE IN US\$ MILLION					
				% Change	
	1997	1998	1999	97/98	98/99
Rattan	123.02	108.26	112.89	-12.00	4.28
Wood	116.53	128.33	132.67	10.13	3.38
Metal	40.69	35.58	43.95	-12.56	23.52
Stone	13.47	15.33	13.46	13.81	-12.20
Parts of Furniture	15.75	26.34	42.22	67.24	60.29
Buri Furniture	3.51	1.76	0.25	-49.86	-85.80
Furnishings	4.81	2.52	1.45	-47.61	-42.46
Bamboo	1.79	1.90	2.67	6.15	40.53
Plastics	0.51	0.53	0.49	3.92	-7.55
Others	1.88	2.91	2.9	54.79	-0.34

TOTAL	321.96	323.46	352.95	0.47	9.12
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Source: National Statistics Office, Chamber of Furniture Industries of the Philippines and Bureau of Export Trade Promotion, Department of Trade and Industry.

The U.S. continued to be the main destination of Philippine furniture (58 percent) with Japan as a distant second with a 12 percent share of all Philippine furniture exports. Continued strength of the U.S. economy is a positive indicator for continued expansion of Philippine furniture exports. Local furniture manufacturers are also exploring the European market concentrating on the medium and high-end market segments emphasizing quality and design. The breakdown of Philippine exports in 1999 by destination is provided below:

1997-1999 PHILIPPINE EXPORTS OF FURNITURE by DESTINATION					
FOB VALUE IN US\$ MILLION					
				% Change	
	1997	1998	1999	97/98	98/99
U.S.	168.50	185.33	204.15	9.99	10.15
Japan	29.48	33.62	43.02	14.04	27.96
France	14.19	12.87	11.55	-9.30	-10.26
Netherlands	11.54	11.66	11.19	1.04	-4.03
U.K.	12.28	11.38	10.45	-7.33	-8.17
Australia	12.51	11.06	10.37	-11.59	-6.24
Germany	8.52	6.51	7.49	-23.59	15.05
Belgium	6.64	6.46	6.22	-2.71	-3.72
Spain	6.58	5.21	5.39	-20.82	3.45
Canada	4.83	4.32	4.37	-10.56	1.16
Other	46.89	35.04	38.75	-25.18	10.59
TOTAL	321.96	323.46	352.95	0.47	9.12

Source: National Statistics Office, Chamber of Furniture Industries of the Philippines and Bureau of Export Trade Promotion, Department of Trade and Industry.

The furniture sector, faced with limited domestic wood supply, is supporting the implementation of selective cutting of trees by legitimate loggers rather than a total log ban. The local industry has also as its priority concern the development of tree plantations. Philippine furniture firms have expanded their product range to include pieces using plantation species such as Gmelina. The use of particle boards and medium density fiberboards for panel and office furniture and the manufacture of upholstered items are also gaining popularity among furniture makers.

Inadequate supply of local raw materials for the domestic wooden furniture industry and the strong export growth shown by wooden furniture exports continues to represent the best prospects for increased U.S. forest and wood products sales to the Philippines. The lack of information on trade contacts, low awareness level of local users to U.S. wood species and grades, and pricing remain as the major obstacles to more U.S. exports,

however. Most exporters ship their goods to importers who in turn deliver to middle and high-end retailers, department stores and specialty shops. Other have agents in the market.

C. Utilities Sector

According to press reports, the National Electrification Administration (NEA) aims to energize all Philippine barangays, the smallest local government unit, within five years and achieve a 100 percent household power coverage by 2018. The NEA aims to energize 2025 barangays a year or 10,125 barangays until 2005. There is a need to scout for more funding opportunities and farm out energy generation and distribution projects to either private investor-owned facilities and local government-run utilities according to NEA Administrator Conrado Estrella. In 1998 a total of P1.27 billion (\$31.75 million) in loan and subsidiary releases were reportedly made available to electric cooperatives. Loan and subsidy releases in 1997 amounted to P733.53 million (\$18.3 million).

A notable increase in utility pole imports occurred in 1999 with imports increasing 682 percent reaching 39,000 CUM (valued at \$3 million) compared to the imported 5,000 CUM (valued at \$1 million) during the previous year's. The U.S. was the dominant supplier of utility poles in 1999 capturing 66 percent of all poles imported. There were no utility poles imported from the U.S. in 1998.

According to Forest Products Research and Development Institute (FPRDI) contacts, there are about 5 million utility poles in the country, the majority of which are relatively old and poorly maintained. In response and as part of its market development efforts, the Western Wood Utility Companies (WWUC) of Oregon and the FPRDI last November 1999 held a softwood utility pole workshop seminar at the FPRDI compound at the University of the Philippines at Los Banos (UPLB). The workshop was attended by major Philippine utility companies and electric cooperatives.

This sector has considerable market potential. It should be pointed out, however, that caution needs to be exercised when initially trying to penetrate the market as government procedures often lack transparency and consistency in bidding procedures.

D. Material Handling Industry

The industrial sector expanded slightly (0.5 percent) from 1998's 1.9 percent contraction though still below the GOP's expected 1.4 to 2.0 percent growth target for the full year. The shortfall was attributed to the drop in construction activity. Industrial output is likely to post slight increases in the next two years as the general Philippine economy improves.

Data on new pallet production as well as recycled pallets is not available and preference between the two is mainly cost determined. Old pallets beyond use and repair are often refinished and made to furniture or simply used for fuel. There are no known market development programs for the materials handling market expansion funded by foreign governments and consumer preference for solid wood pallets and packaging materials vis-a-vis- non-wood materials is considered low. The use of wood for handling of materials has noticeably decreased in the last decade.

E. Export Sector

Philippine exports have been increasing in recent years. The Special Economic Zones Act of 1995 (Republic Act 7916) established the legal framework for creation of special economic zones, industrial estates and export economic zones in the Philippines. The primary objective was to increase investment and generate employment and economic activity.

Export processing zones are administered and regulated by the Philippine Economic Zone Authority (PEZA). There are currently four regular export economic zones (Baguio, Bataan, Cavite and Mactan) under the PEZA which was developed by the GOP. In addition, the PEZA administers around 80 private or special export economic zones in conjunction with private sector interest. These are generally subsets of privately owned industrial parks.

Companies operating in an export economic zone can import their raw materials and machinery duty and VAT free. In general, products manufactured by firms situated in the zones must be entirely for export; however, in certain circumstances, and subject to the approval of PEZA, a certain percentage of production (usually 30 percent) may be sold in the domestic market. Duty must be paid on the finished product.

Some of the major furniture exporting firms are located in these zones (Mactan) as a result of the immunity from duty and VAT. For softwood lumber, Post has learned that the majority of imports enter the country through these zones (Cavite) for manufacture into interior wall panels for export.

Statistical Information

Data on Philippine forestry and wood products are delayed. Production numbers in the PSD tables are all estimates from Post while trade figures are official preliminary GOP numbers from the NSO.

PSD Table						
Country	Philippines					
Commodity	Tropical Hardwood Logs				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New

Market Year Begin		01/1999		01/2000		01/2001
Production	175	200	170	170	0	150
Imports	600	514	650	650	0	750
TOTAL SUPPLY	775	714	820	820	0	900
Exports	0	0	0	0	0	0
Domestic Consumption	775	714	820	820	0	900
TOTAL DISTRIBUTION	775	714	820	820	0	900

Import Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Logs		
Time period	Jan-Dec	Units:	1000 CUM
Imports for:	1998		1999
U.S.		U.S.	
Others		Others	
PNG	114	Solomon Islands	158
Solomon Islands	107	PNG	148
New Zealand	69	New Zealand	147
Malaysia	39	Malaysia	50
Australia	24	Guyana	3
Hongkong	19	Gabon	3
South Africa	14		
Indonesia	13		
Sabah	2		
Total for Others	401		509
Others not Listed	12		5
Grand Total	413		514

PSD Table						
Country	Philippines					
Commodity	Tropical Hardwood Lumber				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New

Market Year Begin		01/1999		01/2000		01/2001
Production	230	190	280	275	0	280
Imports	400	322	630	300	0	320
TOTAL SUPPLY	630	512	910	575	0	600
Exports	100	69	180	50	0	60
Domestic Consumption	530	443	730	525	0	540
TOTAL DISTRIBUTION	630	512	910	575	0	600

Export Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Lumber		
Time period	Jan-Dec	Units:	1000 CUM
Exports for:	1998		1999
U.S.		U.S.	1
Others		Others	
France	29	France	65
Taiwan	8	Taiwan	2
Japan	1		
Total for Others	38		67
Others not Listed	1		1
Grand Total	39		69

Import Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Lumber		
Time period	Jan-Dec	Units:	1000 CUM
Imports for:	1998		1999

U.S.	19	U.S.	35
Others		Others	
Malaysia	160	Malaysia	233
Brazil	34	Brazil	34
PNG	22	Singapore	9
Sarawak	7	Australia	3
Taiwan	5	Taiwan	2
		Thailand	2
		Sarawak	1
		Sabah	1
		Hongkong	1
Total for Others	228		286
Others not Listed	4		1
Grand Total	251		322

PSD Table						
Country	Philippines					
Commodity	Hardwood Veneer				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001

	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	60	60	80	70	0	70
Imports	80	138	110	145	0	150
TOTAL SUPPLY	140	198	190	215	0	220
Exports	30	4	30	15	0	15
Domestic Consumption	110	194	160	200	0	205
TOTAL DISTRIBUTION	140	198	190	215	0	220

Export Trade Matrix			
Country	Philippines		
Commodity	Hardwood Veneer		
Time period	Jan-Dec	Units:	1000 CUM
Exports for:	1998		1999
U.S.		U.S.	
Others		Others	
China	28	Australia	3
Japan	2		
Australia	2		
Total for Others	32		3
Others not Listed			1
Grand Total	32		4

Import Trade Matrix			
Country	Philippines		
Commodity	Hardwood Veneer		
Time period	Jan-Dec	Units:	1000 CUM

Imports for:	1998		1999
U.S.		U.S.	
Others		Others	
Malaysia	56	Malaysia	127
Thailand	3	Sarawak	9
Singapore	2	New Zealand	1
Total for Others	61		137
Others not Listed	2		1
Grand Total	63		138

PSD Table						
Country	Philippines					
Commodity	Hardwood Plywood				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001

	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	300	380	350	420	0	430
Imports	8	5	8	8	0	10
TOTAL SUPPLY	308	385	358	428	0	440
Exports	8	12	8	15	0	17
Domestic Consumption	300	373	350	413	0	423
TOTAL DISTRIBUTION	308	385	358	428	0	440

Export Trade Matrix			
Country	Philippines		
Commodity	Hardwood Plywood		
Time period	Jan-Dec	Units:	1000 CU M
Exports for:	1998		1999
U.S.		U.S.	
Others		Others	
Taiwan	4	Japan	5
Japan	1	Taiwan	4
UK	1	France	2
Total for Others	6		11
Others not Listed	1		1
Grand Total	7		12

Import Trade Matrix			
Country	Philippines		
Commodity	Hardwood Plywood		
Time period	Jan-Dec	Units:	1000 CUM

Imports for:	1998		1999
U.S.		U.S.	
Others		Others	
China	1	Malaysia	2
Indonesia	1	Indonesia	2
Singapore	1		
Total for Others	3		4
Others not Listed	2		1
Grand Total	5		5